

Message Text

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AGR-20 SAJ-01 EUR-25 INT-08 FEA-02 SCI-06 DRC-01 /226 W
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R 131738Z AUG 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 1435

INFO AMEMBASSY BRASILIA

AMEMBASSY LA PAZ

AMEMBASSY SANTIAGO

USCINCSO QUARRY HTS CZ

C O N F I D E N T I A L SECTION 1 OF 3 LIMA 6692

E.O. 11652: GDS

TAGS: EGEN, PFOR, PGOV, PINT, PE

SUBJECT: CHARTING PERU'S FUTURE

1. SUMMARY. WITHIN THE PAST 90 DAYS, PRESIDENT JUAN VELASCO HAS SWEPT ASIDE THE NAVY MINISTER, SILENCED THE MAJOR NEWS-PAPERS AND REVEALED HIS SOCIALIST "BLUEPRINT" FOR PERU. VELASCO NOW APPEARS READIER THAN EVER TO PURSUE HIS RADICAL REVOLUTION AND MAY EVEN BE STRONG ENOUGH TO HANDPICK A SUCCESSOR. THIS MESSAGE REVIEWS AND COMMENTS UPON RECENT EVENTS AND THEIR FUTURE IMPLICATIONS FOR PERU AND U.S.-PERUVIAN RELATIONS. END SUMMARY.

2. HAVING CLEARED THE DECKS IN LATE MAY WITH THE OUSTER OF NAVY MINISTER VARGAS CABALLERO, THE ONE SERVICE COMMANDER WHOM HE HAD NOT BEEN ABLE TO BEND TO HIS WILL, PRESIDENT VELASCO EMERGED STRONGER THAN EVER IN POWER. HE WAS ALSO FREER THAN BEFORE TO PUSH FORWARD HIS REVOLUTION AND CHOSE
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THE JULY 28 INDEPENDENCE DAY CELEBRATIONS TO DO SO. ON JULY

27, HE TOOK OVER THE MAJOR NEWSPAPERS BY DECREETING A NEW PRESS STATUTE WHICH PROVIDED THAT HENCEFORTH THE NATIONAL DAILIES (CIRCULATION OVER 20,000) COULD BELONG ONLY TO THE "ORGANIZED SECTORS OF SOCIETY", THIS IS, THE INTENDED BENEFICIARIES OF THE REVOLUTION. THE FOLLOWING DAY, HE REVEALED THE "INCA PLAN", PURPORTEDLY WRITTEN IN 1968, OUTLINING THE GOALS OF THE REVOLUTION. THE NEW PERU IS TO BELONG PRINCIPALLY TO THE STATE AND THE WORKERS. PERUVIANS WILL "PARTICIPATE" IN SOCIETY BY BELONGING TO ORGANIZED SECTORS. ON THE 29TH, VELASCO PARADED HIS MILITARY MIGHT FOR EVERYONE TO KNOW THAT THE ARMED FORCES ARE STRONG; THE MILGOV DISPLAYED 54 OF ITS NEW SOVIET TANKS AND TRIED TO PERPETRATE A HOAX, BY MAKING AIR TO SURFACE MISSILES APPEAR AS MORE POWERFUL SURFACE TO AIR MISSILES. THE REGIME APPARENTLY WANTED TO IMPRESS WOULD-BE INTERNAL AND EXTERNAL ENEMIES AS WELL AS SHOW OFF IN FRONT OF VISITING RAUL CASTRO OF CUBA.

3. ON JULY 28-29, SEGMENTS OF LIMA'S SHOCKED MIDDLE AND UPPER CLASSES RIOTED SPONTANEOUSLY IN THE BETTER RESIDENTIAL DISTRICTS OF MIRAFLORES AND SAN ISIDRO. THEY WERE PROTESTING THE ENDING OF FREEDOM OF EXPRESSION AND THE THREATENED "CUBANIZATION" OF PERU BECAUSE TO MANY PERUVIANS THE NEWSPAPER TAKEOVER AND CASTRO'S VISIT PRESAGED COMMUNISM. THE MILGOV EASILY PUT DOWN THE DEMONSTRATIONS, ARRESTING SOME 500 PEOPLE. FURTHERMORE, IT PORTRAYED THE RIOTERS AS SPOILED, UNPATRIOTIC RICH OPPOSING WHAT THE REVOLUTION HAD DONE FOR THE POOR.

4. VELASCO'S RECENT ACTIONS HAVE BEEN LABELLED BY SOME PERUVIANS AS A "MARXIST PUTSCH", A VICTORY FOR THE RADICAL GENERALS AND VELASCO'S LEFTIST PERUVIAN (FRANCISCO MONCLOA, ALBERTO RUIZ-ELDREDGE, HECTOR CORNEJO CHAVEZ, CARLOS DELGADO AND AUGUSTO ZIMMERMANN), AS WELL AS CUBAN AND YUGOSLAV ADVISORS. THESE ADVISORS ENGINEERED THE NAVY MINISTER'S OUSTER AND HAD COUNSELLED TAKING OVER THE PRESS.

5. WHEN VELASCO SAYS REPEATEDLY THAT THE REVOLUTION IS NOT COMMUNIST, HE APPARENTLY MEANS IT WILL NOT BE SOVIET DOMINATED (WHICH IT IS NOT). WHEN HE SAYS IT IS NOT CAPITALISTIC, HE SEEMS TO MEAN THAT PRIVATE BUSINESS OVERSHIP AS WELL AS

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WESTERN DEMOCRACY ARE REJECTED. AUGUSTO ZIMMERMANN'S JUST PUBLISHED BOOK ON THE REVOLUTION AND THE INCA PLAN SAYS THAT ON OCTOBER 3, 1968, "THE ROAD TOWARD LIBERATION BEGAN WITH THE BANISHING FOREVER OF SO CALLED 'REPRESENTATIVE DEMOCRACY'". THE BOOK TRIES TO EXPLAIN WHY A REVOLUTION WAS NEEDED RECALLING THE 1965 GUERRILLA CAMPAIGN, 1967'S 40 PERCENT DEVALUATION, AND CONTRABAND SCANDAL, IPC CONTROVERSY, AND ALLEGED FISCAL IRRESPONSIBILITY IN 1968 BY THEN PRESIDENT BELAUNDE THAT WOULD

HAVE LED TO FURTHER DEVALUATION. ZIMMERMANN PORTRAYS AN ARMY SHOCKED IN 1965 BY ANDEAN MISERY AND ANGERED BY THE 1968 ACTIONS OF BELAUNDE AND HIS PARLIAMENT. THE BOOK DESCRIBES HOW VELASCO AND A GROUP OF COLONELS DREW UP THE INCA PLAN IN APRIL 1968 ANALYZING WHAT WAS WRONG WITH PERU AND PRESCRIBING A REVOLUTION. (HOWEVER, THE EMBASSY DOUBTS VERY MUCH THAT THE PLAN REVEALED BY VELASCO ON JULY 28 BEARS GREAT SIMILARITY TO THE 1968 VERSION. FOR EXAMPLE, IT IS VERY UNLIKELY THAT NATIONALIZATION OF THE FISHMEAL INDUSTRY OR TAKING OVER THE PRESS WAS CONTEMPLATED IN 1968. THE PLAN HAS EVOLVED AND WILL CONTINUE EVOLVING; E.G., AT HIS AUGUST 8 PRESS CONFERENCE, VELASCO DISCUSSED THE POSSIBILITY OF A FIFTH ECONOMIC SECTOR GROUPING AGRICULTURAL COOPERATIVES AND COMMUNITIES. THE PLAN SHOULD BE TAKEN AS AN OUTLINE OF PERU'S RADICAL SOCIALISTIC INTENTIONS RATHER THAN A LISTING OF SPECIFIC COURSES OF ACTION WHICH, AS IN THE PAST, WILL BE GRADUAL AND PRAGMATIC.)

6. VELASCO'S "INCA PLAN" FOR PERU APPEARS TO BE A SOCIETY IN WHICH NEARLY ALL SIGNIFICANT INDUSTRIAL, COMMERCIAL AND AGRICULTURAL BUSINESS ENTERPRISES ARE STATE OWNED, WORKER OWNED (SOCIAL PROPERTY) OR CO-MANAGED BY PRIVATE OWNERS AND WORKERS. COMMERCIAL REFORM IS PENDING AND FIRMS IN THIS SECTOR ARE STILL ALMOST ENTIRELY IN PRIVATE HANDS. PERUVIANS WILL HAVE A VOICE IN THEIR SOCIETY BY BELONGING TO THE "ORGANIZED SECTORS" OF THAT SOCIETY. THESE SECTORS (PEASANT ORGANIZATIONS, LABOR ORGANIZATIONS, CULTURAL GROUPS, PROFESSIONAL GROUPS, ETC.) HAVE NOW BEEN GIVEN NEWSPAPERS, OSTENSIBLY SO THAT THEY MAY MAKE THEMSELVES HEARD. IN THE PAST, MILGOV CLAIMS WITH SOME FIARNESS THAT ONLY NEWSPAPER OWNERS WERE HEARD. IT IS PLAUSIBLE TO ASSUME THAT ELECTED LEADERS OF THE NEWS SECTORS WILL ONE DAY SIT IN SOME KIND OF POPULAR ASSEMBLY. UP TO NOW, VELASCO HAS REFUSED TO COMMENT PUBLICLY ON THE POSSIBILITY OF ELECTIONS. THE GOVERNMENT

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ITSELF WILL PRESUMABLY REMAIN INDEFINITELY IN THE HANDS OF THE ARMED FORCES, PRINCIPALLY THE ARMY. THE INCA PLAN STATES SPECIFICALLY THAT THE ARMED FORCES WILL RUN THE REVOLUTION UNTIL THE REFORMS ARE IRREVERSIBLE. THIS WAS UNDERLINED BY PRESIDENT VELASCO AT HIS AUG. 8 PRESS CONFERENCE WHEN HE SAID, "FOR THE MOMENT, CIVILIANS WILL NOT BE CALLED BECAUSE WE MEN IN UNIFORM WANT ALL THE RESPONSIBILITY". IN OTHER WORDS, THE NEW PERU WILL APPARENTLY BE A UNIQUELY PERUVIAN MILITARY-DOMINATED, CORPORATE-MARXIST MODEL.

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C O N F I D E N T I A L SECTION 2 OF 3 LIMA 6692

7. THE ECONOMIC PICTURE. ECONOMIC DIFFICULTIES AS SEVERE AS THOSE WHICH AROSE IN ALLENDE'S CHILE ARE NOT IN PROSPECT AT THIS STAGE IN PERU. FEARFUL OF DEVALUATION, LIKE MANY OF HIS COMPATRIOTS, VELASCO HAS REFUSED UP TO NOW TO DRAW DOWN ON FOREIGN EXCHANGE RESERVES. HOWEVER, DESPITE HEAVY PRESSURE ARISING FROM THE HIGH COST OF IMPORTS OF SUCH ESSENTIALS AS WHEAT, FEED GRAINS, AND PETROLEUM AND THE IMPACT OF HIGH INTEREST RATES ON FOREIGN DEBT SERVICING, PERU'S BALANCE OF PAYMENTS POSITION IS SUFFICIENTLY STRONG THAT, IN SHORT RUN AT LEAST, IMPORTS OF POPULARLY CONSUMED COMMODITIES WILL BE SUFFICIENT TO AVOID SERIOUS ECONOMIC DISRUPTION. THE REGIME IS, OF COURSE, BANKING ON THE EXPECTATION THAT BY 1976, COPPER, PETROLEUM, AND FISHMEAL AVAILABILITIES WILL BOOST EXPORTS AND GIVE PERU THE FOREIGN EXCHANGE IT NEEDS TO FINANCE ITS REVOLUTION. HOWEVER, PERU MUST MANAGE ITS ECONOMY CAREFULLY UNTIL THIS HOPED-FOR FOREIGN EXCHANGE BONANZA BECOMES A REALITY AND THIS MIGHT WELL NOT HAPPEN BEFORE 1977-78, IF THEN (SUBSTANTIAL PETROLEUM RESERVES ARE BY NO MEANS ASSURED).

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MEANTIME, PERU IS BOUND TO LOSE BY EMIGRATION MIDDLE AGRICULTURAL AND INDUSTRIAL MANAGEMENT TECHNICIANS, AND EVEN MORE IMPORTANTLY PERUVIAN AND OTHER POTENTIAL INVESTORS, WHO MAY BE FRIGHTENED BY THE INCA PLAN AND THE REGIMENTATION OF SOCIETY. MOREOVER, VELASCO COULD TRY TO DO TOO MANY THINGS TOO QUICKLY THEREBY DESTABILIZING THE ECONOMY AND EXACERBATING PROBLEMS THAT ARE NOT NOW CRITICAL.

8. BASED ON THE INCA PLAN AND PUBLIC STATEMENTS BY GOP OFFICIALS, THE EMBASSY CAN SPECULATE ON WHAT THE NEW PERU'S ECONOMY MAY LOOK LIKE. AGRICULTURE WILL BE LARGELY COOPERATIVIZED, WITH MOST SMALL FARMERS BROUGHT TOGETHER IN LARGER ECONOMIC UNITS. SO FAR, LESS THAN SIX MILLION HECTARES OF 10 OR 11 MILLION HECTARES TO BE BROUGHT UNDER AGRARIAN REFORM HAVE BEEN REORGANIZED BUT MILGOV SPOKESMEN STILL CLAIM THAT AGRARIAN REFORM WILL BE COMPLETED BY THE END OF 1975. AS VELASCO MADE CLEAR ON JULY 28, PRIORITY WILL BE GIVEN TO CREATING NEW, WORKER OWNED ENTERPRISES IN SUCH AREAS AS LIGHT INDUSTRY. COMMERCIAL ACTIVITIES ARE ALSO SLATED FOR REFORM, WITH LIKELIHOOD THAT CO-MANAGEMENT (LABOR COMMUNITIES) WILL BE APPLIED TO THE LARGER COMMERCIAL ESTABLISHMENTS, AS IT IS TO INDUSTRY. BANKING, INSURANCE, MINING, FISHING, PETROLEUM TRANSPORTATION, AT LEAST SOME CONSTRUCTION MATERIALS ARE ALL RESERVED FOR THE STATE. IN SUM, STATE OR ASSOCIATE FORMS OF ENTERPRISE WILL BE THE RULE IN THE NEW ECONOMY. UNDERSTANDABLY, STATE AND NOT PRIVATE INVESTMENT WILL PREDOMINATE.

9. FURTHER REFORMS WILL COME IN HOUSING, ENCOURAGING POPULAR, LOW COST DWELLINGS. EDUCATIONAL REFORM WILL CONTINUE TO BE IMPLEMENTED STRESSING NATIONALISM, VOCATIONAL TRAINING AND TEACHING OF ANDEAN INDIANS IN THEIR LANGUAGES. A TEACHERS LAW AND SALARY INCREASES ARE ALSO EXPECTED GIVING TEACHERS ECONOMIC BENEFITS IN RETURN FOR ACCEPTING OR AT LEAST NOT OPPOSING THE REVOLUTION. GROUPS REPRESENTING THE WORKERS, TEACHERS, STUDENTS, SCHOOL PARENTS, PEASANTS, SLUM DWELLERS, INDIAN COMMUNITIES, ETC. WILL CONTINUE TO BE ORGANIZED AND BROUGHT INTO THE REVOLUTION'S TENT. MILGOV THEORETICIANS EXPLAIN THAT HIS IS "PARTICIPATION" AND INVOLVES PERU'S POOR FOR THE FIRST TIME IN HISTORY.

10. THERE SHOULD BE NO MISTAKE ABOUT PRESIDENT VELASCO'S
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DETERMINATION TO PRESS AHEAD WITH HIS PLANS TO REORGANIZE PERU TO HIS LIKING. VELASCO THE REVOLUTIONARY WANTS TO MAKE SURE HIS TESTAMENT (THE INCA PLAN) IS EXECUTED; TO THE EXTENT POSSIBLE, HE WILL DO SO HIMSELF. BUT HE SEEMS TO FEAR THAT HIS HEALTH WILL PREVENT HIS REMAINING LONG IN POWER. HE HAS COMPLAINED PRIVATELY THAT HIS GOOD LEG FEELS HEAVY. THIS MAY NOT REFLECT DISEASE BUT SIMPLY THE FATIGUE THAT A CRIPPLED

PRESIDENT OF 65 IS BOUND TO FEEL. WHATEVER HEALTH OR OTHER FACTORS ARE INVOLVED, IT IS QUITE LIKELY THAT THE STRONG-WILLED VELASCO WILL TRY TO PICK HIS SUCCESSOR.

11. UP UNTIL NOW, THE EMBASSY HAS ASSUMED THAT GENERAL FRANCISCO MORALES-BERMUDEZ WOULD BECOME PRIME MINISTER IN FEBRUARY 1975, AND FROM THERE POSSIBLY INHERIT THE PRESIDENCY BEFORE HIS RETIREMENT IN 1978. THIS NOW SEEMS SOMEWHAT LESS PROBABLE, TO MANY, MORALES IS THE GREAT MODERATE HOPE, THE MAN WHO WILL GIVE CIVILIAN INITIATIVE A CHANCE AGAIN WHILE NOT UNDOING THE MANY POSITIVE REFORMS OF THE REVOLUTION. BUT MORALES IS NOT VELASCO'S CLOSE, REVOLUTIONARY ASSOCIATE. UNDER THE CIRCUMSTANCES, VELASCO MIGHT OPT FOR HIS CLOSEST PALACE ADVISOR, GENERAL JOSE GRAHAM, OR FOR OTHER RADICALS SUCH AS GENERAL RODRIGUEZ-FIGUEROA (TO WHOM ZIMMERMANN'S BOOK IS DEDICATED ALONG WITH VELASCO) OR GENERAL FERNANDEZ-MALDONADO. VELASCO MIGHT EVEN ALLOW STAUNCHLY LOYAL AIR FORCE GENERAL GILARDI TO BECOME PRESIDENT, IF PERU'S RADICAL ARMY GENERALS ARE WILLING TO SUPPORT A NON-ARMY GENERAL.

12. A MOVE BY VELASCO TO KICK MORALES-BERMUDEZ UPSTAIRS, POSSIBLY NAMING HIM TO THE INTER-AMERICAN DEFENSE BOARD IN WASHINGTON, WOULD PROBABLY SIGNAL THE FURTHER RADICALIZATION OF PERU. (EVEN THEN, AND HOWEVER ONE LABELS PERU'S RADICAL MODEL, IT WILL BE NATIONALISTIC, XENOPHOBIC AND PROBABLY NO MORE INCLINED TO DEPEND ON THE USSR THAN IT IS ON THE U.S.) WHILE SECTORS OF THE ARMY MIGHT BE OUTRAGED BY A MORALES TRANSFER, VELASCO LOYALISTS CONTROL THE TROOPS, TANKS AND INTELLIGENCE APPARATUS IN THE CAPITAL. MORALES COULD PROBABLY COUNT ON NO MORE THAN MORAL SUPPORT. NONETHELESS, MANY PERUVIANS QUESTION WHETHER VELASCO WOULD DARE TO TREAT A VERY HIGH RANKING GENERAL THE WAY HE TREATED ADMIRAL VARGAS. FURTHERMORE, VELASCO ALREADY ANNOUNCED IN NOVEMBER THAT MORALES WOULD BECOME PREMIER AND THE LATTER HAS SHOWN NO

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DISLOYALTY TO VELASCO OR THE REVOLUTION AND ACTS PATIENTLY, OUTWARDLY CONFIDENT THAT HE WILL REPLACE PRIME MINISTER MERCADO. AT HIS AUG 8 PRESS CONFERENCE, VELASCO SAID THAT THERE WOULD BE NORMAL CABINET CHANGES IN 1975 AS RANKING GENERALS (LABOR MINISTER SALA OROZCO WAS NAMED) REACHED MANDATORY RETIREMENT AGE OR LENGTH OF SERVICE. HE THEREBY SCOTCHED RUMORS THAT HE MIGHT TAMPER WITH MILITARY RETIREMENTS IN ORDER TO BLOCK MORALES' HIERARCHICAL ACCESSION TO THE PRIME MINISTER'S POSITION. BUT IF VELASCO WANTS TO ELIMINATE MORALES AS A SUCCESSOR, THE PRESIDENT COULD REASSIGN MORALES OR ARRANGE TO HAVE THE JUNTA ISSUE A DECREE CHANGING THE SUCCESSION. VELASCO'S NEXT IN LINE WOULD BE SOMEONE ABLE TO CARRY THE REVOLUTION THROUGH TO ITS LOGICAL, SOCIALISTIC OR CORPORATE OBJECTIVES; GENERALS GRAHAM OR RODRIGUEZ-FIGUEROA WOULD

APPEARS TO BE THE MOST LIKELY CHOICES.

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13. CIVILIAN OPPOSITION TO VELASCO. UP TO NOW, THE REGIME HAS BEEN ABLE TO COUNT ON THE SUPPORT OF THE PERUVIAN COMMUNIST PARTY (MOSCOW LINE) AND ITS DISCIPLINED LABOR ARM, THE GENERAL CONFEDERATION OF PERUVIAN WORKERS (CGTP). THE REGIME HAS ALSO DRAWN ON THE SUPPORT OF THE MANY PEASANT AND WORKER ORGANIZATIONS WHICH HAVE BEEN THE BENEFICIARIES OF THE REVOLUTION. AND NOW, AND THIS IS SIGNIFICANT BECAUSE OF THE OCTOBER 1968 VIOLENT ANTI-GOVERNMENT RIOTING PROVOKED BY THEM, THE TEACHERS APPEAR TO BE SWINGING TO THE GOVERNMENT'S SIDE (AS MENTIONED IN PARA 9). THE POSITION OF THE CATHOLIC HIERARCHY HAS BEEN AMBIVALENT, POSSIBLY BECAUSE THE GOVERNMENT CONTRIBUTES TO BISHOP'S SALARIES AND FINANCES CATHOLIC CHARITIES. UP TO NOW, THE CHURCH HAS GENERALLY SUPPORTED THE GOVERNMENT'S REFORMS. HOWEVER, EVENTS OF JULY 27-28 SEEM TO HAVE PRECIPITATED MEETING HELD AUGUST 8 BETWEEN INTERIOR MINISTER RICHTER, PRESIDENTIAL ADVISORY COUNCIL CHIEF GRAHAM, SOCIAL MOBILIZATION CHIEF ZAVALETA, CARDINAL LANDAZURI AND 40 BISHOPS. AFTER THE

MEETING, ZAVALETA CLAIMED THAT THE BISHOPS SUPPORTED THE
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PRESS TAKEOVER. NO SUCH THING, STATED AN AUGUST 10 EPISCOPAL COMMUNIQUE. IN FACT, ACCORDING TO THE BISHOPS' AUG. 8 COMMUNIQUE (PUBLISHED IN THE PRESS ON THE 11TH), THE BISHOPS VIEWED THE NEW PRESS STATUTE AS A THREAT TO FREE EXPRESSION AND FEARED THAT GROUPS ENCRUSTED IN THE POWER SYSTEM (E.G., MARXISTS) WOULD USE THE LAW TO FURTHER THEIR OBJECTIVES. THE BISHOPS' COMMUNIQUE SAID THAT ALL PERUVIANS SHOULD PARTICIPATE IN DECISION MAKING, AN APPARENT SLAP AT THE MILITARY. PERU'S TRADITIONAL ANTI-COMMUNIST PARTIES, PARTICULARLY HAYA DE LA TORRE'S APRA PARTY, WHICH COULD PROBABLY STILL COUNT ON A THIRD OF THE PERUVIAN ELECTORATE -- THOSE WHO ARE LITERATE AND OVER TWENTY-ONE, AND BELAUNDE'S RECENTLY BANNED POPULAR ACTION PARTY, WHICH HAS A LARGE FOLLOWING IN LIMA AND AREQUIPA, BITTERLY OPPOSE THE GOVERNMENT. NONETHELESS, NEITHER OF THESE TWO PARTIES NOR ANY OTHER CIVILIAN GROUP FOR THAT MATTER APPEARS TO HAVE A NEAR TERM CHANCE OF EFFECTIVELY OPPOSING VELASCO AND HIS LOYAL ARMY. INSTEAD, CIVILIAN OPPONENTS WILL PROBABLY WAIT FOR THE MOMENT OF SUCCESSION WHEN THEY MIGHT OFFER THEIR SUPPORT TO A MODERATE GENERAL, OR HOPE SIMPLY THAT THE ECONOMIC SITUATION WILL SOMEHOW CREATE A CRITICAL POINT GALVANIZING THE MASSES AGAINST THE REGIME.

14. PERUVIAN FOREIGN AND ARMS POLICY. PERU CAN BE COUNTED ON TO PURSUE A NATIONALISTIC, THIRD-WORLD POLICY, SIDING INTERNATIONALLY WITH STATES SUCH AS CUBAA, YUGOSLAVIA, AND ALGERIA AND OFTEN AGAINST THE U.S. THE FURTHER LEFT PERU TURNS, THE MORE ISOLATED IT WILL BECOME IN SOUTH AMERICA. ALONE AND ABSORBED IN THE CREATION BY FIAT OF A NEW SOCIETY, WHICH IS GENERATING MUCH INTERNAL DIVISION, IT SEEMS UNLIKELY THAT PERU WOULD RISK AT THIS TIME ANY SORT OF ACTION AGAINST CHILE. PERU'S ARMS BUYING HAS NOT AT THIS POINT GONE BEYOND THE BOUNDS OF MODERNIZATION AND APPEARS DESIGNED PRIMARILY TO SATISFY THE APPETITIES OF THE RULING MILITARY CLASS.

15. NOTWITHSTANDING THE CATCHWORDS OF THE SOCIALIST, PARTICIPATIONIST, HUMANIST REVOLUTION B A STRONG AUTHOGXTARIAN STATE IS BEING CREATED FOR THE ARMY TO RULE ON BEHALF OF THE MASSES. THERE IS AN UNDENIABLE ELEMENT OF IDEALISM IN THE REGIME'S DESIRES TO INVOLVE PERU'S ONCE FORGOTTEN MASSES IN THE CONSTRUCTION OF A BETTER PERU. HOWEVER, THE ARMY HAS
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RESERVED TO ITSELF THE RIGHT TO RESTRUCTURE THE COUNTRY
THEREBY ALIENATING MANY CIVILIANS. UNLESS AND UNTIL THE ARMED
FORCES MAKE A SHAMBLE OF THINGS, THE MILITARY WILL PROBABLY
REMAIN IN POWER (AS THEY HAVE FOR 100 OF PERU'S 150
INDEPENDENT YEARS) AND THE UNITED STATES WILL HAVE TO DEAL
WITH THEM.

16. UNITED STATES INTERESTS IN PERU CANNOT HELP BUT SUFFER
FURTHER AS PERU MOVES TO OPERATE OR OTHERWISE CONTROL ADD-
ITIONAL SECTORS OF ITS ECONOMY. AS A NOMINAL MILITARY ALLY
PERU WILL WANT U.S. DEFENSE CREDITS TO PURCHASE PREFERRED
AMERICAN ARMAMENTS BUT ITS FRIENDSHIP WILL BE RELATIVELY
MEANINGLESS. POLITICALLY, PERU WILL UNDOUBTEDLY CONTINUE
DISPLAYING THE "DAVID AND GOLIATH COMPLEX", ACCUSING THE
U.S. OF BEING BEHIND ITS TROUBLES AND WILL MISS FEW
OPPORTUNITIES TO ALIGN ITSELF WITH OTHER HEMISPHERIC OR THIRD
WORLD COUNTRIES IN OPPOSITION TO BIG POWER (MOSTLY U.S.)
INTERESTS OR POSITIONS WHICH IT WILL CATEGORIZE AS NEO-
COLONIALIST OR IMPERIALIST. IN SHORT, PERU WILL CONTINUE
TO BE A VERY TESTY STATE WITH WHICH TO DEAL BOTH
BILATERALLY AND IN MULTINATIONAL FORA.
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